

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER OF the Joint Application of	)	UTILITY DIVISION
NorthWestern Corporation and Babcock &	)	
Brown Infrastructure Limited, BBI US Holdings	)	DOCKET NO. D2006.6.82
Pty Ltd., BBI US Holdings II Corp., and BBI	)	
Glacier Corp. for Approval of the Sale and Transfer	)	
of NorthWestern Corporation Pursuant to a Merger	)	
Agreement	)	

Rebuttal Testimony of

**Steven Boulton**  
**Chief Executive Officer**  
**Babcock & Brown Infrastructure Limited**

January 22, 2007

1 **Q. Please state your name and describe your position.**

2 **A.** My name is Steven Boulton. I am the Chief Executive Officer of Babcock & Brown  
3 Infrastructure Limited ("BBIL") and the BBI Companies.  
4

5 **Q. Please summarize your utility experience.**

6 **A.** I have been Chief Executive of BBIL since August 1, 2005. Prior to that  
7 appointment I was Chief Executive of Powerco Limited, the second largest  
8 electricity and gas distribution utility in New Zealand. Previously, I have been Chief  
9 Executive of Allgas Energy Limited, an ASX listed Australian natural gas and LPG  
10 utility company. I have qualifications (majors) and a professional background in  
11 business management, human resources and technology management. I  
12 commenced my career as an electrician in the electricity distribution sector, working  
13 through various operational, management and executive levels in the electricity,  
14 gas and coal sectors in Australia and New Zealand, since 1977. I am a Fellow  
15 member of the Australian Institute of Management.  
16

17 **Q. What is the purpose of your testimony?**

18 **A.** I am presenting rebuttal testimony on behalf of the BBI Companies to the Direct  
19 Testimony of Dr. John W. Wilson on behalf of The Montana Consumer Counsel  
20 ("MCC") in respect of the Joint Application of the Joint Parties for Approval in the  
21 Sale and Transfer of NorthWestern pursuant to the Merger Agreement.  
22 Specifically, I will explain BBI's purpose in acquiring NorthWestern, that  
23 NorthWestern will continue to provide adequate service at just and reasonable  
24 rates, NorthWestern's financial capability of maintaining its system, investing in its  
25 infrastructure and system growth, and that BBI as a long-term investor in  
26 NorthWestern will ensure that NorthWestern has the financial wherewithal to make  
27 its necessary investments plus make investments in expansionary projects in  
28 Montana assuming the Company is allowed to earn an appropriate rate of return. In  
29 addition, I will show that most of Dr. Wilson's recommendations are actually  
30 commitments that the Applicants had already made in this docket as well as to  
31 regulators in South Dakota, Nebraska and at the Federal Energy Regulatory

Commission ("FERC"). Finally, I will demonstrate that Dr. Wilson's testimony contains material flaws in its analysis of the impact of the transaction on NorthWestern and its customers, which lead to certain recommendations that are unnecessary and unwarranted.

BBI offers no rebuttal testimony on the other intervenor testimony. Rebuttal testimony to the other intervenors is addressed in the testimony of Mike Hanson and Pat Corcoran on behalf of NorthWestern.

**Q. Will NorthWestern continue to provide adequate service at just and reasonable rates after the sale?**

**A.** Yes. The issue before the Commission in this docket is whether the Sale and Transfer of NorthWestern pursuant to the Merger Agreement will have an adverse impact on NorthWestern's customers, specifically, their entitlement under state law to adequate service at just and reasonable rates. Thus, if NorthWestern continues to provide adequate service at just and reasonable rates, as the intervenors, including the MCC, have indicated NorthWestern is currently providing, the only relevant inquiry is whether or not BBI's investment will have an adverse effect on NorthWestern. As we demonstrate in response to Dr. Wilson's testimony, BBI's investment in NorthWestern will have no adverse impact on NorthWestern.

**Q. What is the purpose of BBI purchasing the stock of NorthWestern?**

**A.** BBI is a long-term, conservative utility owner with a proven track record. Our "back to basics" approach and philosophy of owning businesses with a long term investment horizon have allowed BBI to grow to become one of the global leaders in its field. BBI has been attracted by the quality of NorthWestern's assets, its experienced management team, its stable existing customer base and its steady utility growth opportunities. To those features, BBI will bring consistency of ownership, broad-based expertise in gas and electric transmission and distribution, power and renewable energy, and a strong financial position. BBI intends to invest in and grow the utility business, and, as contained in the

1 Merger Agreement, has committed to maintaining existing employee and  
2 customer service levels. BBI's business approach emphasizes local  
3 management, local jobs and local economic development and growth, including  
4 investing in infrastructure replacement, transmission and power production. BBI  
5 is committed to fund necessary further economic investment in the utility  
6 networks and sees opportunities for in-state growth in transmission and  
7 generation.  
8

9 **Q. How will NorthWestern operate if the sale is approved?**

10 **A.** Because we are an investor in NorthWestern, it will operate the same after the sale  
11 as it does now, with one key exception, its shareholder will be a long-term investor.  
12 BBI's acquisition of the stock of NorthWestern under the Merger Agreement does  
13 not change the ability or obligation of NorthWestern to provide adequate service at  
14 just and reasonable rates, the internal structure of NorthWestern, the planned  
15 operations of NorthWestern, or its status as a public utility regulated by the  
16 Commission. BBI's proposed acquisition of NorthWestern is intended to keep  
17 NorthWestern in its present form, but as an operating company within a holding  
18 company. The number of employees, the customer focus, the energy supply, the  
19 service territory and operations of NorthWestern would remain completely  
20 unchanged, as well as its status as public utility, regulated by the Commission. The  
21 regulated rate base, the capitalization of that rate base and the services provided  
22 by NorthWestern under tariffed rates established by the Commission are not  
23 affected, in any way, by BBI's acquisition of NorthWestern under the Merger  
24 Agreement. Indeed, post acquisition, these items cannot change unless the  
25 Commission first determines that such changes would be just and reasonable.  
26

27 **Q. What would be the effect on NorthWestern's financial capability if the sale is**  
28 **approved?**

29 **A.** As shown below, contrary to the statements of Dr. Wilson, NorthWestern's financial  
30 condition should only improve after the merger. As the chart below demonstrates,  
31 prior to the sale, NorthWestern collects revenues from its operations which pay its

operating expenses, cash taxes, debt service, and capital expenditures for maintenance, infrastructure and system growth and retaining sufficient working capital and liquidity in the business to fund the day-to-day operating requirements, including the purchase of natural gas and electricity to meet the default supply obligations. Its board of directors then determines how any surplus cash is to be used to invest in expansion projects that provide an opportunity for a reasonable rate of return or to provide an appropriate dividend to shareholders. After the sale to BBI, NorthWestern will continue to collect revenues, pay its operating expenses, cash taxes, debt service, and capital expenditures and retain sufficient working capital and liquidity in the business to fund the day-to-day operating requirements, including the purchase of natural gas and electricity to meet the default supply obligations. The new board of directors will then determine how much of the surplus cash will be invested or the appropriate distribution made to its new owner, BBI, just as occurs today. The primary difference is that BBI will provide the capability and the capacity for NorthWestern to invest in larger expansionary growth projects that provide an opportunity to earn an adequate rate of return at the time the investment is required.

**NorthWestern Energy**  
**Financial Requirements Priority**

<b>NorthWestern – Present</b>		<b>NorthWestern – Post Sale</b>	
Collect Revenues	Yes	Collect Revenues	Same
Pay Operating Expenses	Yes	Pay Operating Expenses	Same
Pay Cash Taxes	Yes	Pay Cash Taxes	Same
Pay Debt Service	Yes	Pay Debt Service	Same
Cover Capital Expenditures	Yes	Cover Capital Expenditures	Same
Retain Working Capital for day-to-day Operating Requirements	Yes	Retain Working Capital for day-to-day Operating Requirements	Same
Provide for Expansion Investment	Yes	Provide for Expansion Investment	Improved by BBI's Capability
Provide for Shareholder Distributions or Dividends	Yes	Provide for BBI Investor Distributions or Dividends	Same

1 **Q. What are the commitments BBI has already made to other regulators that**  
2 **address the concerns raised by Dr. Wilson?**

3 **A.** As Dr. Wilson is aware, BBI and NorthWestern have committed to the South  
4 Dakota Public Utility Commission, the Nebraska Public Service Commission, FERC  
5 and this Commission that the acquisition premium will not be collected in rates; no  
6 transaction costs will be collected in rates; that public financial disclosure  
7 statements of BBI and NorthWestern will be made available to regulators; and  
8 capital projects undertaken by NorthWestern or BBI that are not secured by  
9 conventional utility assets, will be financed by non-recourse project financing.

10  
11 **Q. Are there other recommendations that BBI agrees with that were made by Dr.**  
12 **Wilson?**

13 **A.** Yes. With respect to the current Stipulation and Settlement Agreement (Ring  
14 Fencing), BBI agrees that it will continue to apply to NorthWestern by modifying the  
15 definition of Parent to apply to NorthWestern, revising the board composition to  
16 recognize the new board as an internal board and not a public board, and revising  
17 the rate information filing requirement to require NorthWestern to make such filings  
18 no later than every three years from the effective date of the merger over a six year  
19 period.

20  
21 **Q. What are the recommendations that you disagree with and why?**

22 **A.** The recommendations with which I disagree are those that result from Dr. Wilson's  
23 criticisms of a single document, the BBI acquisition model that was prepared solely  
24 as an evaluation tool for BBI management in considering its offer to acquire  
25 NorthWestern. The BBI model is not, and has never been, designed for use as an  
26 operating model or business plan for the NorthWestern. Under BBI ownership, the  
27 development of business plans and operating models belongs properly to  
28 NorthWestern management. This approach is consistent with the existing  
29 businesses that BBI has in its current portfolio where local management is  
30 empowered to plan and operate the business in accordance with local conditions  
31 and customer needs.

1  
2 Throughout the discovery phase of this proceeding, BBI has made a concerted  
3 effort to respond fully to all data requests submitted by all parties to ensure that it  
4 provides a full, complete and transparent overview of the transaction, whether or  
5 not the individual data requests were relevant to the proceedings. Instead of  
6 focusing the analysis on the overall transaction and the multitude of discovery  
7 documents, the BBI acquisition model was singled out and used for a purpose for  
8 which it was not developed or designed to be used. Consequently, some of the  
9 recommendations that Dr. Wilson seeks to impose on NorthWestern are redundant  
10 and unnecessary for the protection of customers. Sufficient protections are already  
11 inherent in the powers of this Commission and under existing Montana law to  
12 ensure that ratepayers receive adequate service at just and reasonable rates. Post  
13 acquisition, NorthWestern will continue to operate under its current management  
14 using current operating practices and the existing regulatory principles.  
15

16 The primary operating assumption of both NorthWestern and BBI is that a long-  
17 term and prudent owner of a utility business uses the revenues earned to first pay  
18 all operating expenses, including required interest and debt service, cash taxes, all  
19 prudent and necessary capital expenses and retains sufficient working capital and  
20 liquidity in the business to fund the day-to-day operating requirements before any  
21 returns are made to the owner. This basic principle has been consistently applied  
22 in the development of the BBI acquisition model, as it has across BBI's other  
23 businesses.  
24

25 **Q. Is Dr. Wilson's assertion that BBI intends to extract excessive cash**  
26 **distributions from Northwestern correct?**

27 **A.** Absolutely not. BBI has no intention of extracting excessive cash distributions from  
28 NorthWestern. To the contrary, as indicated in the chart above, BBI will ensure that  
29 NorthWestern maintains adequate liquidity and capital resources to fund its  
30 necessary maintenance, operating and capital expenses before the payment of  
31 distributions.

1  
2 **Q. How can the Commission be assured that NorthWestern, as an operating**  
3 **utility will maintain adequate financial resources to provide adequate**  
4 **service?**

5 **A.** The Commission has several existing regulatory controls that allow it to make sure  
6 that NorthWestern, as an operating utility, remains financially viable:

- 7 (1) First, and foremost, the Commission regulates the rates that NorthWestern can  
8 charge in Montana. This includes the establishment of the capital structure of  
9 the operating utility. As discussed further below, BBI and NorthWestern will  
10 agree to file rate information in accordance with the Stipulation and Settlement  
11 Agreement on a regular basis for a reasonable period of time to ensure that  
12 NorthWestern remains financially stable after the acquisition. In such reviews  
13 the Commission and its staff will have the opportunity to review detailed  
14 financial information of NorthWestern on both a total company and  
15 jurisdictional basis;
- 16 (2) The Commission must approve the issuance of all debt secured by the utility  
17 assets of NorthWestern in Montana;
- 18 (3) NorthWestern files annual regulatory reports showing the operating and  
19 financial results of the company in Montana. The Commission also has access  
20 to NorthWestern's quarterly and annual financial reports filed with the SEC. If  
21 the Commission is concerned with the financial capability of NorthWestern at  
22 anytime it can open an investigation under its general supervisory powers; and
- 23 (4) Under the Stipulation and Settlement Agreement with the Commission in the  
24 bankruptcy proceeding, NorthWestern has committed to implementing the  
25 recommendations of the Liberty Audit to ensure reliable electric service. As I  
26 understand it, NorthWestern routinely updates the Commission on its progress  
27 of implementing the audit recommendations. In addition, as indicated in Mike  
28 Hanson's rebuttal testimony, NorthWestern is proposing to implement a  
29 forward looking 10-year asset management plan that includes capital resource  
30 needs and operating plans. The Commission may then monitor the company's  
31 implementation of this plan. The asset management plan would be updated



1 annually post feedback from a range of stakeholders. BBI strongly supports  
2 this proposal and, in fact, has a similar long-term asset management planning  
3 process in place at Powerco (an electricity and gas distribution utility) in New  
4 Zealand. Powerco's business operations are very similar to those of  
5 NorthWestern.  
6

7 **Q. Please address Dr. Wilson's first recommendation, that there be a strict**  
8 **prohibition against the merged company recovering in retail rates, directly or**  
9 **indirectly, in any manner or by any means, any portion of the approximately**  
10 **\$700 million premium over book value proposed to be paid for the acquisition**  
11 **of NorthWestern, unless such recovery is expressly authorized by the**  
12 **Commission upon application demonstrating specific and concrete benefits**  
13 **to Montana consumers resulting from the payments of such premium to**  
14 **book.**

15 **A.** NorthWestern and BBIL have clearly indicated in this docket, in the response to  
16 Montana Consumer Counsel Data Request MCC-13(b), that they have no intention  
17 of trying to recover the premium to book in rates. The same commitment has been  
18 made to the Nebraska Public Service Commission and FERC, and is contained in a  
19 settlement agreement with the South Dakota Public Utilities Commission. As a  
20 regulated utility, NorthWestern would have no means to recover the premium to  
21 book in rates, unless it first seeks and obtains the approval of the Commission to  
22 either include it in rate base, or treat it as an amortization expense.  
23

24 **Q. Please address his second recommendation, that none of the transaction**  
25 **costs incurred by BBI and NorthWestern shall be deferred as a regulatory**  
26 **asset for future recovery from ratepayers, and that the costs should be**  
27 **absorbed exclusively by the shareholders of each of the parties to the**  
28 **acquisition.**

29 **A.** NorthWestern and BBIL have clearly indicated in this docket, in the response to  
30 Montana Consumer Counsel Data Request MCC-063, that merger related costs  
31 are being expensed as incurred, and tracked in the Company's financial

1 statements, and will not be included in any future rate filings. The same  
2 commitment has been made to the Nebraska Public Service Commission and  
3 FERC, and is contained in a settlement agreement with the South Dakota Public  
4 Utilities Commission. As a regulated utility, NorthWestern would have no means to  
5 recover such expenses without first seeking and obtaining the approval of the  
6 Commission in a future rate filing.

7  
8 **Q. Please address his fourth recommendation, that the merged company use**  
9 **financing that is neither secured by NorthWestern's utility assets nor**  
10 **guaranteed in any manner by its retail utility revenues (i.e., financing that is**  
11 **non-recourse to NorthWestern and its customers) for the development of any**  
12 **capital project having a principal purpose other than the provision of**  
13 **adequate service to retail public utility consumers.**

14 **A.** NorthWestern and BBIL have clearly indicated in the Joint Application that they do  
15 not intend to issue Montana utility debt, pledge Montana utility assets or provide  
16 loans, guarantees, advances, equity commitments or working capital related to  
17 Montana regulated utility assets except in accordance with Montana law and the  
18 rules and regulations of the Commission. The Commission doesn't need such an  
19 indication from NorthWestern and BBI, since the Commission regulates the  
20 issuance of securities, including pledges of utility property (a lien), under Part 5 of  
21 Chapter 3 of Title 69. Consequently, any BBI financing for assets that are not  
22 included or includable in NorthWestern's Montana utility rate base, or that are  
23 devoted to any purpose other than providing funds to NorthWestern for its Montana  
24 public utility operations, will be non-recourse to NorthWestern. Likewise, any  
25 financing for assets that are included or includable in NorthWestern's Montana  
26 utility rate base are subject to prior Commission authorization. Therefore, while the  
27 BBI acquisition model may include assumptions in respect of future debt issuance  
28 as the company grows, any such issuance other than in respect of non-recourse  
29 borrowings, is only a proforma modeling exercise without effect unless and until the  
30 Commission authorizes such debt.

- 1 **Q.** Please address his fifth recommendation, that the Commission maintain in  
2 place the existing structural measures, intercorporate and affiliate  
3 transactions requirements, reporting and disclosure requirements, and  
4 infrastructure audit compliance requirements from Order No. 6505e (the  
5 Financial Investigation Consent Order), subject to modification of the  
6 following provisions:
- 7       a. Changes to the definition of the term “Parent Company” are  
8 required throughout Ordering Paragraph C.1 (structural measures) and  
9 C.2 (financial measures) in order to ensure that, after consummation of  
10 the acquisition, NorthWestern remains the entity vested with title to  
11 and control over the public utility assets used to serve Montana  
12 consumers; and,
- 13       b. Ordering Paragraph C.3.a should be modified to reflect a basis  
14 for determining consolidated book equity and consolidated total  
15 capitalization that is meaningful as a regulatory tool in the context of  
16 the post-acquisition corporate structure, and the financial reporting  
17 requirements to which that corporate structure will be subject.
- 18 **A.** BBIL previously has stated its understanding and commitment that the continuing  
19 and effective terms of the Stipulation and Settlement Agreement, as reflected in  
20 Order No. 6505e (the Financial Investigation Consent Order), will be applicable to  
21 the post-merger NorthWestern other than in respect of the constitution of the  
22 NorthWestern Board (see the Response to MPSC Data Request Set No. 3  
23 Question PSC-031). Consequently, BBI will ensure that NorthWestern will maintain  
24 in place existing structural measures, intercorporate and affiliate transactions  
25 requirements, reporting and disclosure requirements, and infrastructure audit  
26 compliance requirements from Order No. 6505e, subject to changing the definition  
27 of the term “Parent Company” to ensure that, after consummation of the acquisition,  
28 NorthWestern remains the entity vested with title to and control over the public  
29 utility assets used to serve Montana consumers.  
30

1 There is no need to revise the Ordering Paragraph C.3 and comments about  
2 financial reporting. Since the Moody and Standard & Poor's corporate credit rating  
3 levels in Ordering Paragraph C.3.b and c are to remain in place and unchanged,  
4 BBIL sees no reason to modify Ordering Paragraph C.3.a. The existing definition of  
5 consolidated book equity and consolidated total capitalization is consistent with  
6 GAAP and should not be adjusted to reflect concerns, which are unconventional,  
7 unwarranted and not consistent with prudent industry practice.

8  
9 In respect of financial reporting, as noted in the Response to MPSC Data  
10 Request No. 3 Question PSC-030(b), the terms of certain series of outstanding  
11 NorthWestern debt securities include a covenant that, whether or not required by  
12 the SEC, NorthWestern will furnish to the trustee and the SEC, within the time  
13 periods specified in the SEC's rules and regulations (as if required): (1) all  
14 quarterly and annual financial information on Forms 10-Q and 10-K if  
15 NorthWestern were required to file such Forms, including a "Management's  
16 Discussion and Analysis of Financial Condition and Results of Operations"; and  
17 (2) all current reports on Form 8-K if NorthWestern were required to file such  
18 reports.

19  
20 **Q. Please address his sixth recommendation, a requirement for periodic (every**  
21 **two years) submission by NorthWestern of rate informational filings**  
22 **conforming to the requirements of Ordering Paragraph B.1 of Order 6505e**  
23 **(including responding to discovery) for rate review for the initial ten years**  
24 **following the merger, to ensure against excessive rates.**

25 **A.** The Applicants do not object to submission by NorthWestern of rate informational  
26 filings conforming to the requirements of Ordering Paragraph B.1 of Order 6505e  
27 for rate review in the near to mid-term. The Applicants believe, however, that the  
28 proposed two-year interval and 10-year duration are excessive. It is an expensive  
29 and time consuming endeavor for a utility to assemble, and the Commission Staff to  
30 review, a rate filing which complies with the Commission's Minimum Filing  
31 Requirements, and the cost of preparing and processing the filing is a cost of

1 service item included in rates and paid by the NorthWestern customer.  
2 Furthermore, such reviews should be balanced, and not limited to “ensuring against  
3 excessive rates”. They necessarily include ensuring a just and reasonable return  
4 for NorthWestern. I believe that if the Commission concludes that such rate filings  
5 are necessary or advisable in connection with this transaction, either one or two tri-  
6 ennial (every three years), post acquisition rate filings would be a more reasonable  
7 approach than the five filings over ten years recommended by Dr. Wilson.  
8

9 **Q. Please address Dr. Wilson’s seventh recommendation, a requirement for**  
10 **contemporaneous public filing with the Commission of financial disclosure**  
11 **documents filed by NorthWestern’s parent/affiliate BBIL in the Australian**  
12 **Stock Exchange of the Australian Securities and Investments Commission.**

13 **A.** All financial disclosure documents filed by BBIL with the ASX and the ASIC are  
14 publicly available to any interested party on the ASX website as well as on the BBI  
15 website ([www.bbinfrastructure.com](http://www.bbinfrastructure.com)). BBI does not object to providing such  
16 information to the Commission. Due to the size and number of the filings regularly  
17 made by BBIL, however, it would be more practical to provide notice to the  
18 Commission of financial disclosure filings at the time such filings are made, as well  
19 as the BBI, ASX and/or ASIC website address of such filings. The Commission at  
20 its convenience could then download the filings.  
21

22 **Q. Mr. Boulton, you skipped over Dr. Wilson’s third recommendation relating to**  
23 **restrictions on the distribution of net earnings. Why?**

24 **A.** Dr. Wilson’s recommendation regarding the prohibition on the payment of dividends  
25 above 100% of net income in any year without prior Commission approval is  
26 inappropriate.

27 First, it appears that this proposal would apply to NorthWestern as a whole  
28 and not just to its regulated Montana operations. The Montana  
29 Commission has no jurisdiction over South Dakota and Nebraska  
30 regulated operations or over NorthWestern’s non-regulated operations;  
31 Second, were the Commission to adopt such a recommendation it would

1           usurp the legal authority of the Board of Directors, and might create a  
2           conflict with the duties the Board has under well-established legal  
3           principles regarding a board of directors' fiduciary responsibilities and the  
4           laws governing the payment of dividends;

5           Third, such a restriction is unnecessary to protect Montana consumers  
6           given the Commission's authority over the issuance of debt and regulation  
7           of rates, its audit and investigation authority and its review of the required  
8           filings of the financial condition of NorthWestern;

9           Fourth, the proposed restriction does not account for the fact that  
10          consolidated income taxes may be paid by the Holding Company and not  
11          NorthWestern as the operating company. Distributions from NorthWestern  
12          may need to include the taxes to be paid by the Holding Company as the  
13          taxpayer for the consolidated group;

14          Fifth, the ability to pay dividends is a function of cash flow and not book  
15          income. The proposed recommendation does not account for non-cash  
16          expenses or income. In short, just because a company may choose to pay  
17          more in dividends than its book net income in any given year does not  
18          mean it is impaired in any way from providing adequate service.

19          Conversely, just because a company pays less than its book net income in  
20          a given year does not mean that it will be able to make the investments  
21          necessary to ensure adequate service. The relevant inquiry for the  
22          Commission is whether the operating company has to borrow money on a  
23          long-term basis to fund the payment of dividends in a given year. The  
24          Commission's authority over the issuance of debt already addresses this  
25          inquiry; and

26          Sixth, the long-term asset planning by NorthWestern, which will be  
27          approved by BBI and provided to the Commission, will adequately  
28          demonstrate NorthWestern's commitment to investing in maintenance and  
29          infrastructure improvements as well as growth of the system over the long-  
30          term. The Liberty Audit, which the Applicants have agreed to support, is a  
31          necessary component of long-term asset management planning.

1  
2 **Q. Is Dr. Wilson's analysis of BBI's financial projections accurate?**

3 **A.** No. As I previously indicated, Dr. Wilson's testimony contains certain material flaws  
4 in its underlying analysis of the impact of the transaction on NorthWestern's  
5 customers. Those problems are largely the result of his misapplication of the  
6 acquisition model used by BBI in evaluating an acquisition of NorthWestern, but  
7 also appear to result from an attempt to selectively use data to justify erroneous  
8 conclusions. The analysis inappropriately applies BBI's acquisition model to a  
9 public utility ratemaking process, and goes so far as to claim it shows how  
10 NorthWestern will operate after its acquisition by BBI. Jonathon Sellar's testimony  
11 discusses at some length the errors in the analysis contained in Dr. Wilson's  
12 testimony.  
13

14 **Q. Do you have any concluding remarks?**

15 **A.** Yes. BBIL believes that the Joint Application together with all Direct Testimony,  
16 Data Request Responses, other information provided and this Rebuttal Testimony  
17 provide clear and convincing proof that BBIL is a suitable purchaser of  
18 NorthWestern and a proper custodian of the NorthWestern equity over the short  
19 and long term.  
20

21 In summary, as I indicated at the beginning of my testimony, the additional  
22 protections that Dr. Wilson seeks to impose on NorthWestern through his  
23 recommendations are redundant and unnecessary for the protection of ratepayers.  
24 Sufficient protections already are inherent in the powers of the Commission and  
25 under existing Montana law to ensure that ratepayers receive "adequate service at  
26 just and reasonable rates". The basic premise of the Merger Agreement has been  
27 publicly stated on numerous occasions in responses to various data requests and  
28 public announcements by BBI and NorthWestern. That is, post acquisition by BBI,  
29 NorthWestern will continue to operate under its current management and the  
30 existing regulatory principles will remain in place.  
31

1 NorthWestern will keep its present form, but as an operating company within a  
2 larger holding company. The number of employees, the customer focus, the  
3 energy supply, the service territory and operations of NorthWestern are left  
4 completely unchanged, as well as its status as a public utility, regulated by the  
5 Commission. The regulated rate base, the capitalization of that rate base and the  
6 services provided by NorthWestern under tariffed rates previously established by  
7 the Commission are not affected, in any way, by BBI's acquisition of NorthWestern  
8 under the Merger Agreement.  
9

10 **Q. Does this complete your rebuttal testimony?**

11 **A.** Yes.  
12